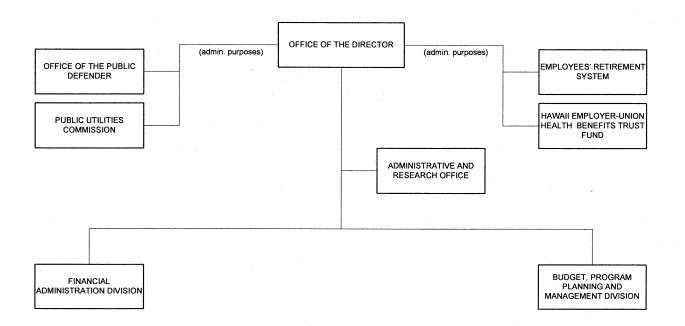


STATE OF HAWAII DEPARTMENT OF BUDGET AND FINANCE ORGANIZATION CHART



DEPARTMENT OF BUDGET AND FINANCE Department Summary

Mission Statement

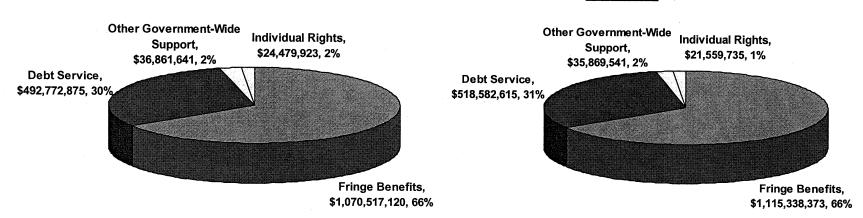
To enhance long-term productivity and efficiency in government operations by providing quality budget and financial services that prudently allocate and effectively manage available resources.

Department Goals

Improve the executive resource allocation process through planning, analysis and recommendation on all phases of program scope and funding; maximize the value, investment, and use of State funds through planning, policy development, timely scheduling of State bond financing and establishment of appropriate cash management controls and procedures; administer retirement and survivor benefits for State and County members and prudently manage the return on investments; administer health and life insurance benefits for eligible active and retired State and County public employees and their dependents by providing quality services and complying with federal and State legal requirements; ensure regulated companies provide adequate and reliable services at just and reasonable rates with a fair opportunity to earn a reasonable rate of return; and to safeguard the rights of indigent individuals in need of assistance in criminal and related cases by providing statutorily entitled and effective legal representation.

Significant Measures of Effectiveness	FY 2010	FY 2011
1. Percentage of recommendations on departments' requests completed by due date	90	90
2. Average annual rate of return on State treasury investments	3	3
3. Rate of interest paid on State bonds relative to the Bond Buyer Index for bonds of	90	90
comparable term and credit		

FB 2009-2011 Operating Budget by Major Program Area FY 2010 FY 2011



DEPARTMENT OF BUDGET AND FINANCE MAJOR FUNCTIONS

- Administers the multi-year program and financial plan and executive budget, management improvement, and financial management programs of the state under the general direction of the Governor.
- Coordinates state budget services and prepares the Governor's budget for submission to the legislature; administers the financial affairs of the State.
- Plans, directs and coordinates the State's investments and financing programs.

- Directs and coordinates a statewide retirement benefits program for state and county government employees.
- Administers health and life insurance benefits for eligible state and county active and retired public employees and dependents.
- Provides comprehensive legal and related services to persons who are financially unable to obtain legal and related services.
- Regulates all chartered, franchised, or certificated public service companies operating in the State.

MAJOR PROGRAM AREAS

The Department of Budget and Finance has programs in the following major program areas:

Individual F	Rights	Governmen	t-Wide Support
BUF 151	Office of the Public Defender	BUF 101	Departmental Administration and Budget
BUF 901	Public Utilities Commission		Division
		BUF 115	Financial Administration
		BUF 141	Employees Retirement System
		BUF 143	Employer Union Trust Fund
		BUF 915	Debt Service Payments
		BUF 941	Retirement Benefits Payments
		BUF 943	Health Premium Payments

Department of Budget and Finance (Operating Budget)

		Allocation		
		FY 2009	FY 2010	FY 2011
Funding Sources:	Positions	145.00	141.00	141.00
General Funds	\$	698,632,566	687,624,985	718,238,534
		55.00	62.00	62.00
Special Funds		10,628,380	14,557,057	11,636,869
		31.00	31.00	31.00
Trust Funds		10,686,573	12,431,726	11,439,626
Interdepartmental T	ransfers	972,786,344	898,699,895	938,717,339
		99.00	99.00	99.00
Other Funds		14,228,189	11,317,896	11,317,896
		330.00	333.00	333.00
Total Requirements		1,706,962,052	1,624,631,559	1,691,350,264

Major Adjustments in the Executive Budget Request: (general funds unless noted)

- 1. Deletes 4.00 permanent and 2.00 temporary position counts and \$1,324,644 in personal services and other current expenses.
- 2. Debt Service: adds \$21,331,051 in FY 10 and \$28,160,786 in FY 11; reduces the inter-departmental transfer fund by \$57,685,802 in FY 10 and \$43,707,247 in FY 11.
- 3. Pension Accumulation: deletes \$27,766,190 in FY 10 and \$27,304,834 in FY 11; adds \$2,464,310 in FY 10 and \$3,130,915 in FY 11 in inter-departmental transfer funds for employer contribution requirements.
- 4. Social Security/Medicare: deletes \$14,794,737 in FY 10 and \$14,567,126 in FY 11; adds \$1,996,777 in FY 10 and \$2,337,915 in FY 11 in inter-departmental transfer funds for employer contribution requirements.
- 5. Increases the FY 10 and FY 11 trust fund ceiling for unclaimed property by \$1,000,000.
- 6. Adds \$1,037,000 in FY 10 trust funds for an eligibility audit of the EUTF's health plans.
- 7. Adds 7.00 permanent special fund position counts and special funds of \$535,893 in FY 10 and \$524,693 in FY 11 for PUC's restructuring to implement Act 177, SLH 2007.
- 8. Adds \$3,822,108 in FY 10 and \$1,272,071 in FY 11 in special funds for PUC Office relocation to support PUC's restructuring per Act 177, SLH 2007.

PROGRAM ID:

PROGRAM STRUCTURE NO.

PROGRAM TITLE:

DEPARTMENT OF BUDGET AND FINANCE

		TN DOLL	ARS	!		TN THOUS	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	317.00*		333.00*		333.0*	333.0*	333.0*	333.0*
PERSONAL SERVICES				27,571,426		27,571		27,571
OTHER CURRENT EXPENSES	1,533,040,353	1,679,354,445			1,865,124	1,966,964	2,021,656	2,086,113
EQUIPMENT	241,597	600,805	211,700	251,300	·			
TOTAL OPERATING COST	1,556,998,202	1,706,547,332			1,892,695	1,994,535	2,049,227	2,113,684
				1				
BY MEANS OF FINANCING				1				
$\mathcal{L}_{\mathcal{L}}}}}}}}}}$	144.00*	145.00*			141.0*	141.0*	141.0*	141.0*
GENERAL FUND	668,117,084	698,217,846	687,624,985		808,862	853,717		904,356
	44.00*		62.00*		62.0*	62.0*	62.0*	62.0*
SPECIAL FUND	8,296,528	10,628,380	14,557,057		11,791	11,791	11,791	11,791
	30.00*	31.00*			31.0*	31.0*	31.0*	31.0*
TRUST FUNDS	19,681,225		12,431,726		11,439		11,439	11,439
INTERDEPT. TRANSFER	849,909,184		898,699,895		1,049,537	1,106,522		1,175,032
		99.00*	99.00*		99.0*	99.0*	99.0*	99.0*
OTHER FUNDS	10,994,181	14,110,115	11,317,896	11,317,896	11,066	11,066	11,066	11,066
CARLTAL IMPROVEMENT COSTS								
CAPITAL IMPROVEMENT COSTS PLANS		10,000						
DESIGN		10,000						
CONSTRUCTION	341,958,000	571,573,000	75,000,000	75,000,000	75,000	75,000	75,000	75,000
TOTAL CAPITAL EXPENDITURES	341,958,000	571,593,000	75,000,000	75,000,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING G.O. BONDS	341,958,000	571.593.000	75.000.000	75,000,000	75,000	75,000	75.000	75,000
				, , , , , , , ,	,			,
TOTAL POSITIONS	317.00*			333.00*	333.00*	333.00*	333.00*	333.00*
TOTAL PROGRAM COST		, , ,		1,766,350,264	1,967,695	2,069,535	2,124,227	2,188,684

Department of Budget and Finance (Capital Improvements Budget)

	FY 2010	FY 2011
Funding Sources:		•
General Obligation Bonds	75,000,000	75,000,000
Total Requirements	75,000,000	75,000,000

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

- 1. Provides \$30,000,000 in general obligation bond funds in FY 10 and 11 for the Hawaiian Home Lands Trust Fund, Statewide.
- 2. Provides \$45,000,000 in general obligation bond funds in FY 10 and 11 for the State Educational Facilities Improvement Special Fund, Statewide.

STATE OF HAWAII

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT IN THOUSANDS OF DOLLARS

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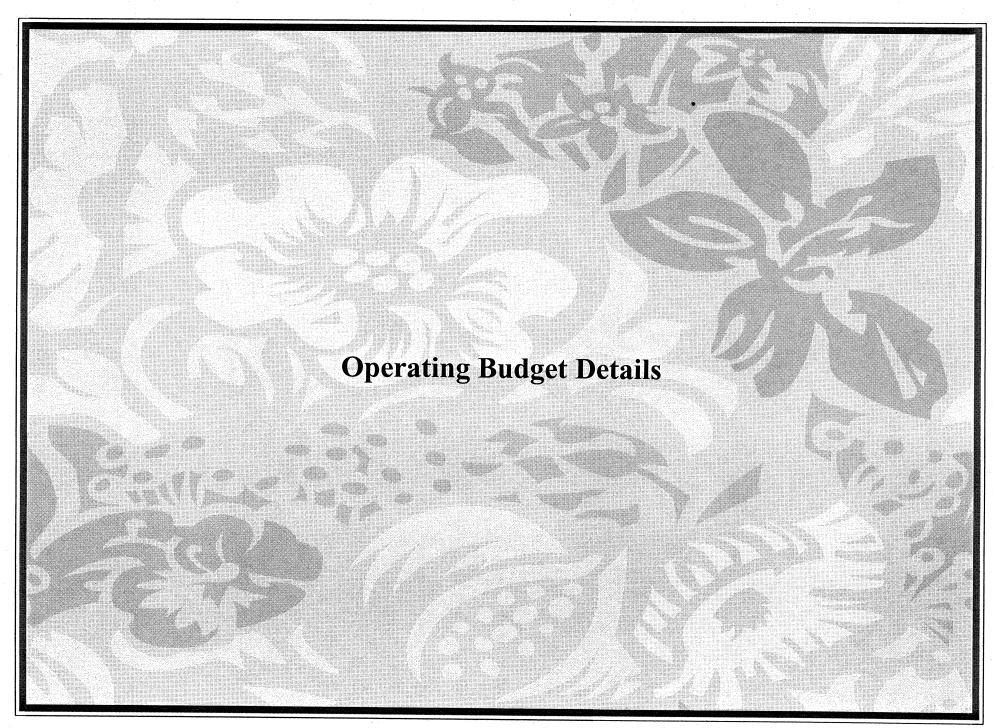
PROGRAM STRUCTURE NO.

PROGRAM TITLE

PROGRAM ID

DEPARTMENT OF BUDGET AND FINANCE

PROJECT NUMBER	PRIORITY NUMBER	LOC SCOPE	PRO	JECT TITLE			BUDGET P	ERIOD							
				COST ELEMENT/MOF	PROJECT TOTAL	PRIOR YRS	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	SUCCEED YEARS
		PLANS	510	500		10						: , ,			
		DESIGN CONSTRUCTION	1,181 2,210,698	1,171 847.167	341,958	10 571,573	75,000	75,000	75,000	75,000	75.000	75,000			
•		EQUIPMENT	1,951	1,951	341,720	5/1,5/3	75,000	75,000	75,000	75,000	75,000	75,000			
		TOTAL	2,214,340	850,789	341,958	571,593	75,000	75,000	75,000	75,000	75,000	75,000			
		G.O. BONDS	2,214,340	850,789	341,958	571,593	75,000	75,000	75,000	75,000	75,000	75,000			



PROGRAM ID:

PROGRAM STRUCTURE NO. 10

PROGRAM TITLE:

INDIVIDUAL RIGHTS

		IN THOUSANDS						
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	125.00*	137.00*	144.00*	144.00*	144.0*	144.0*	144.0*	144.0*
PERSONAL SERVICES	11,752,136	13,514,366	14,244,339	14,244,339	14,244	14,244	14,244	14,244
OTHER CURRENT EXPENSES EQUIPMENT	6,048,170	6,946,130 13,585	10,224,384 11,200	7,315,396	7,470	7,470	7,470	7,470
TOTAL OPERATING COST	17,800,306	20,474,081	24,479,923	21,559,735	21,714	21,714	21,714	21,714
BY MEANS OF FINANCING								
DI MEANS OF FINANCING	81.00*	82.00*	82.00*	00.00				
GENERAL FUND	9,503,778	9,845,701	9,922,866	82.00*	82.0*	82.0*	82.0*	82.0*
CENTERIAL TORD	44.00*	55.00*	62.00*	9,922,866 62.00*	9,923 62.0*	9,923	9,923	9,923
SPECIAL FUND	8,296,528	10,628,380	14,557,057	11,636,869	11,791	62.0* 11,791	62.0* 11,791	62.0* 11,791
TOTAL POSITIONS	125.00*	137.00*	144.00*	144.00*	144.00*	144.00*	144.00*	144.00*
TOTAL PROGRAM COST	17,800,306	20,474,081	24,479,923	21,559,735	21,714	21,714	21,714	21,714
					========			========

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PROGRAM ID:

BUF901

PROGRAM STRUCTURE NO. 10010305

PROGRAM TITLE:

PUBLIC UTILITIES COMMISSION

					IN THOUSANDS				
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15	
OPERATING COST	44.00*		62.00*	62.00*	62.0*	62.0*	62.0*	62.0*	
PERSONAL SERVICES	2,985,722	4,346,963	5,011,386	5,011,386	5,011	5,011	5,011	5,011	
OTHER CURRENT EXPENSES EQUIPMENT	5,310,806	6,270,217 11,200	9,534,471 11,200	6,625,483	6,780	6,780	6,780	6,780	
TOTAL OPERATING COST	8,296,528	10,628,380	14,557,057	11,636,869	11,791	11,791	11,791	11,791	
				1	and the same same special many states about 1995 1995 1995				
BY MEANS OF FINANCING				1					
	44.00*	55.00*	62.00*	62.00*	62.0*	62.0*	62.0*	62.0*	
SPECIAL FUND	8,296,528	10,628,380	14,557,057	11,636,869	11,791	11,791	11,791	11,791	
	$\label{eq:continuous} \mathcal{L} = \{ x \in \mathcal{X} \mid x \in \mathcal{X} \mid x \in \mathcal{X} \}$								
TOTAL POSITIONS	44.00*	55.00*	62.00*	62.00*	62.00*	62.00*	62.00*	62.00*	
TOTAL PROGRAM COST	8,296,528	10,628,380	14,557,057	11,636,869	11,791	11,791	11,791	11,791	

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:
BUF901
10010305
PUBLIC UTILITIES COMMISSION

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
MEASURES OF EFFECTIVENESS								
 % RATE CASES COMPLTD W/IN APPLIC STATUTORY TIME PD % NON-RATE MATTERS COMPLTD W/IN APPLC STATU/REG PD % INFORMAL COMPLAINT RESOLVED IN REASONABLE TIME NO. REPORTED ACCIDENTS INVOLVING UTILITY EMPLOYEES AV NO. ELECTRIC SVC INTERRPTNS PER CUSTOMER SVCD NO. TELECOMM SVC DISRUPTNS LONGER THAN 1 HR 	100 100 82 175 2 4	100 100 90 175 2 2	100 100 90 175 2 2	100 100 90 175 2	100 100 90 175 2	100 100 90 175 2 2	100 100 90 175 2 2	100 100 90 175 2 2
PROGRAM TARGET GROUPS								
ELECTRIC AND GAS COMPANIES PROPERTY CARRIERS PASSENGER CARRIERS WATER COMMON CARRIERS PRIVATE WATER AND WASTEWATER UTILITY COMPANIES TELECOMMUNICATIONS COMPANIES OPERATORS OF SUBSURFACE INSTALLATIONS PETROLEUM DISTRIBUTORS	5 588 627 4 37 178 80 27	5 500 600 4 37 150 80 27						
PROGRAM ACTIVITIES								
NUMBER OF APPLICATIONS FILED NO. DECISIONS/ORDERS & ORDERS ISSUED DOCKETD MATTR NO. OF PUBLIC HEARINGS AND CONTESTED CASE HEARINGS NUMBER OF CITATIONS ISSUED NUMBER OF INFORMAL COMPLAINTS FILED	385 751 14 30 487	400 800 25 100 500						
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
CHARGES FOR CURRENT SERVICES FINES, FORFEITS AND PENALTIES NON-REVENUE RECEIPTS	17,239 129 8,717	18,641 57 9,916	18,599 54 8,342	18,598 53 8,808	18,598 53 8,808	18,598 53 8,808	18,598 53 8,808	18,598 53 8,808
TOTAL PROGRAM REVENUES	26,085	28,614	26,995	27,459	27,459	27,459	27,459	27,459
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS SPECIAL FUNDS	8,717 17,368	9,916 18,698	8,342 18,653	8,808 18,651	8,808 18,651	8,808 18,651	8,808 18,651	8,808 18,651
TOTAL PROGRAM REVENUES	26,085	28,614	26,995	27,459	27,459	27,459	27,459	27,459

A. Statement of Program Objectives

To ensure that regulated companies efficiently and safely provide their customers with adequate and reliable services at just and reasonable rates, while providing regulated companies with a fair opportunity to earn a reasonable rate of return.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

The Commission's fiscal biennium 2009–2011 budget request is in compliance with Section 37-68(1)(A)(B). The request includes increased funding to cover expenses associated with 1) the provision of sufficient space to accommodate currently authorized and requested positions pursuant to Act 177, Session Laws of Hawaii ("SLH") 2007; 2) Consumer Advocate Office operations, pursuant to Hawaii Revised Statutes ("HRS") §269-33; 3) continued funding to contract with the University of Hawaii, Hawaii Natural Energy Institute ("HNEI") pursuant to HRS §269-95; 4) adjustments to fully staff and restructure the Commission pursuant to Act 177, SLH 2007; and 5) expending the remaining balance of the Petroleum Industry Monitoring, Analysis and Reporting (a.k.a. PIMAR) program special fund to continue to meet the requirements of HRS Chapter 486J.

Due to the changing regulatory environment and the constant expansion in the development and deployment of various technologies and services affecting the changes in regulated industries, the request for increased positions and funding will continue the implementation of Act 177, SLH 2007 and equip the Commission with the resources and expertise necessary to satisfactorily meet the above objective. Additional resources will also allow the Commission to proactively and expeditiously address and resolve critical public policy issues facing the State of Hawaii. These issues will significantly impact the economy, education, health, safety, leisure, general welfare, and prosperity of the State and its people.

C. <u>Description of Program Activities Performed</u>

The Commission is engaged in legislative, judicial, and administrative regulatory activities, such as:

- 1. Establishing rules and regulations, which include service standards for regulated public utilities and transportation companies;
- 2. Rendering decisions regarding reasonableness of rates and efficiency in operational and service practices affecting ratepayers and the public; and
- 3. Processing applications; reviewing requests; and conducting audits, inspections, and investigations of regulated public utilities, other regulated entities, and companies utilizing services under the Commission's jurisdiction, to ensure compliance with rules and regulations.

D. Statement of Key Policies Pursued

The key policies in which the Commission carries out its regulatory functions are:

- 1. Regulate public utilities to ensure:
 - The public of adequate and reliable services at just and reasonable rates;
 - b. A fair opportunity for the regulated public utilities to earn a reasonable rate of return;
- 2. Ensure that the public does not experience discriminatory or preferential services, and avoid and eliminate unfair competitive practices among regulated public utilities and other regulated entities;

- 3. Promote the objectives of the State Plan to, among other things, achieve dependable, efficient, and economical statewide energy; support research, development, and promotion of renewable energy resources; and preserve the environment, while balancing the cost of energy to ratepayers:
- 4. Maintain a level of safe, adequate, economical, and efficient motor and water carrier transportation services to ensure and permit the flow of goods for commercial purposes between points within the state at just and reasonable rates and fair practices; and
- 5. Coordinate and support implementation of applicable regulatory initiatives to ensure safe, adequate, economical, and efficient services to the ratepayers and public, as well as, ensure regulated entity integrity and sustainability.

E. <u>Identification of Important Program Relationships</u>

Environmental and economic concerns due to public utility operations and conservation and efficient use of energy are related to the objectives of the Departments of Health, Land and Natural Resources, (DLNR), Labor and Industrial Relations (DLIR), and Business, Economic Development, and Tourism (DBED&T). For transportation, excavator, and subsurface installation services, the Department of Transportation, county offices statewide, and DLIR are involved in the safety of operations of regulated public utilities.

F. <u>Description of Major External Trends Affecting the Program</u>

1. "Internet Voice Communications", also known as Voice over Internet Protocol ("VoIP"), is a relatively new, yet rapidly evolving technology enabling telephone calls to be made using broadband Internet connection instead of the traditional (analog) phone line. VoIP technology converts voice signals from an originating telephone call, into packeted digital signals that travel at high speed over the Internet, and are then reassembled into voice signals on the receiving end. Using appropriate wireless technologies, VoIP providers are increasingly encroaching on the traditional wireline and wireless telephone industries,

leading to increased competition, more services, and lower costs for users. The Commission continues to remain focused on the regulatory environment, regarding VoIP technology and product offerings, which is constantly evolving on federal, state, and local levels.

2. The Federal Universal Service Fund program, created by the U.S. Congress through the Telecommunications Act of 1934, as amended in 1996 ("Act"), is designed primarily: 1) to promote the availability of quality telecommunications services at just, reasonable, and affordable rates; 2) to increase access to advanced telecommunications services throughout the Nation; 3) to advance the availability of such services to all consumers, including those in low income, rural, insular, and high cost areas; and 4) at rates reasonably comparable to those charged in urban areas. As provided by the Act, the USF receives contributions from providers of telecommunications services and the moneys paid out to those carriers designated as Eligible Telecommunications Carriers (ETCs), in order to assist them in recovering costs of providing telecommunications services.

Amid continued concern over large increases in USF payments to ETCs over the last decade, a greater focus is being placed on ensuring that the moneys from the fund are being spent by the recipient ETCs as intended.

3. Initiatives supporting the development and utilization of additional and new renewable energy sources have increased on the national and state levels, including state legislation that, among other things, requires the development and implementation of Renewable Portfolio Standards ("RPS") and a utility ratemaking structure that may include but is not limited to performance-based ratemaking. See Act 95, SLH 2004 as amended by Act 162, SLH 2006. RPS means the percentage of electrical energy sales that is represented by renewable electrical energy. Electric utilities are required to establish an RPS of 10% by 2010, 15% by 2015 and 20% by 2020. Part of the Commission's efforts to implement the RPS law and policy to encourage and foster the increased use of renewable energy resources in Hawaii includes contracting with HNEI, pursuant to HRS §269-95.

The Commission also continues to participate in the Hawaii Clean Energy Initiative ("HCEI"), which was established via a Memorandum of Understanding between the State of Hawaii and the United States Department of Energy in January 2008. HCEI's primary goal is to transform the State of Hawaii's energy economy from one fueled predominantly by imported oil to one fueled by 70% clean, renewable energy by 2030.

In September 2007, the Commission instituted an investigation to examine the issues and requirements raised by, and contained in, Part VII of Chapter 269, Sections 269-121, et seq., HRS, pertaining to Hawaii's Public Benefits Fee. This proceeding was initiated to select a Third Party Administrator ("TPA") to implement and administer energy efficiency programs within the HECO Companies' service territories.

Similar to the national trend toward competition in the telecommunications industry, there have been efforts to introduce and expand competition within the electric industry on the federal and state levels. In June 2007, the Commission instituted a proceeding to investigate the implementation of intra-governmental wheeling of electricity, through which government agencies would be allowed to transmit renewable energy to other government facilities over existing transmission lines owned by an electric utility. The docket will look into, among other things, the potential impacts and costs of the service.

G. Discussion of Cost, Effectiveness, and Program Size Data

Vacant positions continue to impact the Commission's ability to function at its full potential. Although the Commission's emphasis on recruitment activities have resulted in continuous filling of positions, the amount of vacancies have remained relatively constant due to natural turnover of personnel (i.e., retirement, career advancements, relocation, etc.). The Commission continues to focus on recruitment related efforts, including the submittal of the Commission's reorganization plan pursuant to Act 177, SLH 2007. The continued implementation of the Commission's organizational restructuring in the upcoming biennium will focus expertise and cross-functional work groups on new and foreseeable statutory duties and

responsibilities. This will allow the Commission to better meet its program objectives.

In addition, the Commission will continue to improve its effectiveness by working towards making the regulatory process more transparent as the Commission increases its operational efficiency.

H. Discussion of Program Revenues

Regulated utilities and transportation companies are assessed fees for filings, earnings and penalties. For fiscal year 2009, it is projected that \$17.9 million will be collected. Excess funds are lapsed from the Special Fund to the General Fund annually. For FY 08, \$9.7 million was lapsed and it is estimated that \$7.4 million, \$4.15 million and \$7.07 million will be lapsed to the General Fund in FY 09, FY 10 and in FY 11, respectively.

I. Summary of Analysis Performed

To address existing duties and responsibilities more efficiently, the Commission has developed and commenced implementation of a strategic plan that, among other things, focuses on filling position vacancies, increasing information accessibility and improving services to the public. To address newly established and foreseeable additional statutory duties and responsibilities, the Commission has also initiated steps to establish an organizational structure that fosters industry specific knowledge within professional sections in order to elicit more in-depth analysis and recommendations to the commissioners to allow for more informed and comprehensive decision making.

J. Further Considerations

None.

PROGRAM ID:

BUF151

PROGRAM STRUCTURE NO. 100301

PROGRAM TITLE:

OFFICE OF THE PUBLIC DEFENDER

		IN DOLLAF	RS	IN THOUSANDS				
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	81.00*	82.00*	82.00*	82.00*	82.0*	82.0*	82.0*	82.0*
PERSONAL SERVICES	8,766,414	9,167,403	9,232,953	9,232,953	9,233	9,233	9,233	9,233
OTHER CURRENT EXPENSES EQUIPMENT	737,364	675,913 2,385	689,913	689,913	690	690	690	690
TOTAL OPERATING COST	9,503,778	9,845,701	9,922,866	9,922,866	9,923	9,923	9,923	9,923
BY MEANS OF FINANCING								
	81.00*	82.00*	82.00*	82.00*	82.0*	82.0*	82.0*	82.0*
GENERAL FUND	9,503,778	9,845,701	9,922,866	9,922,866	9,923	9,923	9,923	9,923
TOTAL POSITIONS	81.00*	82.00*	82.00*	82.00*	82.00*	82.00*	82.00*	82.00*
TOTAL PROGRAM COST	9,503,778	9,845,701	9,922,866	9,922,866	9,923	9,923	9,923	9,923

REPORT P62

STATE OF HAWAII

PROGRAM ID: BUF151 PROGRAM STRUCTURE: 100301

PROGRAM TITLE:

OFFICE OF THE PUBLIC DEFENDER

FY FΥ FY FY FY FY 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 MEASURES OF EFFECTIVENESS % ATTORNY CASELDS EXCEED NATL STD FOR FELONY CASES % ATTRNY CASELDS EXCEED NATL STD FOR MISDMNR CASES % ATTORNY CASELDS EXCEED NATL STD FOR FAMLY COURT % ATTRNY CASELDS EXCEED NATL STD FOR APPEALS CASES ANNL # TRNG HRS COMPL BY PROF STAFF AS % PLNND HRS **PROGRAM TARGET GROUPS** INDIGENTS REQUIRING SERVICES FOR FELONY CASES
INDIGENTS REQUIRING SERVICES FOR MISDEMEANOR CASES
INDIGENTS REQUIRING SERVICES FOR APPEALS CASES INDIGENTS REQUIRNG SVCS FOR MENTAL COMMITMNT CASES

A. Statement of Program Objectives

To safeguard the rights of individuals by providing statutorily entitled and effective legal representation in criminal, mental commitment, and family cases in compliance with the Hawaii Rules of Professional Conduct. Prudently manage deputy public defender and support service resources and caseloads and maintain quality training program for deputy defender staff.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

No new programs are being proposed at this time. The budget request reflects the established FB 09-11 Executive Biennium Budget Ceiling. The program is in compliance with Section 37-68 (1) (A) (B).

C. <u>Description of Activities Performed</u>

Program activities include providing comprehensive legal and related services to the target group in all police, judicial and related administrative proceedings in the following situations.

- Custodial interrogations and lineups
- Preliminary hearings
- Arraignments
- Pretrial release and bail hearings
- Pretrial motions proceedings
- Pretrial investigations
- Trial proceedings
- Sentencing proceedings
- Minimum term and parole hearings
- Appellate and post-conviction proceedings
- Bench warrant, extradition and material witness proceedings

- Family Court juvenile and adult proceedings
- Order to Show Cause proceedings in spouse abuse and other contempt matters in the Family Courts
- Involuntary commitment and out-patient proceedings
- Legal advisement of persons in police custody and members of the public

D. Statement of Key Policies Pursued

Provide comprehensive legal and other necessary services in criminal and related cases at the least possible cost. The scope of services that must be provided generally is dictated by the Federal and State Constitutions, the State statutes, judicial rules, decisions and opinions, and the cannons of professional ethics.

E. <u>Identification of Important Program Relationships</u>

While the program is necessarily affected by the activities of key components within the criminal justice system (police, prosecution, courts, corrections, parole), the adversarial nature of the program's responsibilities precludes significant relationship with other agencies. The Office of the Public Defender is recognized as an agency which is a critical component of the criminal justice system and has a seat on a number of judiciary committees that address issues and problems within the system.

F. <u>Description of Major External Trends Affecting the Program</u>

The Office of the Public Defender is constitutionally mandated to provide legal assistance to all indigent accused persons requesting representation in misdemeanor, family and felony cases. Staffing requirements for the Office of the Public Defender is dependent not only upon the sheer volume of cases handled by the Office, but is also directly related to administrative changes by the Judiciary. When the Judiciary expands by the addition of judges or the addition of court days, workload for the Office increases. The Judiciary continues to make organizational

changes in its effort to process greater numbers of criminal prosecutions in a reduced time period; this in turn has continued to significantly impact the Office. Workload is also impacted by changes in the law increasing the need for representation (i.e., mandatory sentencing laws, sex offender registry). Increase in clerical staffing requirements on Oahu and the neighbor islands are currently required to fulfill the statutory mandate of the Office of the Public Defender.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

Planned level of program effectiveness is measured in the number of clients provided effective representation. The goal of the agency is to avoid judicial or disciplinary counsel determinations of ineffective assistance of counsel that would reflect a major denial of Federal and State Constitutional rights as well as to operate efficiently within its allocated budgetary guidelines. The program has realized its planned level of effectiveness in the past biennial period.

H. <u>Discussion of Program Revenue</u>

Pursuant to statute, if at any time after counsel is appointed, the court is satisfied that a defendant is financially able to obtain counsel or to make partial payment for the representation, the court may terminate the appointment of counsel, unless the person so represented is willing to pay for the representation. If appointed counsel continues the representation, the court shall direct payment for such representation as the interests of justice may dictate. Any payments directed by the court shall be general fund realizations.

This reimbursement process is employed in those very rare instances where a defendant has subsequent ability to pay for counsel. Additionally, consideration has been given to requiring some contribution from all but the most impecunious of clients. It is believed that this would require costs of collection and accounting that would far outweigh the benefit.

I. Summary of Analysis Performed

Improvement in future years will be contingent upon program expansion commensurate with the increase in the size of the target group. It remains difficult to anticipate fluctuations in the target group to provide a staffing and funding pattern to assure an optimum level of effectiveness. Nonetheless, policy changes initiated within the Judiciary such as expansion of court days and number of courts, and increased weekly trial setting to reduce case backlogs in felony, district, and family courts have imposed burdens that require relief through expansion of staff resources.

J. Further Considerations

None.

PROGRAM ID:

PROGRAM STRUCTURE NO. 11

PROGRAM TITLE:

GOVERNMENT-WIDE SUPPORT

		IN DOLI	ARS			IN IHUUS	ANUS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	· · · · · · · · · · · · · · · · · · ·	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST	192.00*				189.0*	189.0*	189.0*	189.0*
PERSONAL SERVICES	11,964,116	13,077,716	13,327,087	13,327,087		13,327	13,327	13,327
OTHER CURRENT EXPENSES	1,526,992,183	1,672,408,315	1,586,624,049	1,656,212,142	1,857,654	1,959,494	2,014,186	2,078,643
EQUIPMENT	241,597		200,500		- 15			
TOTAL OPERATING COST	1,539,197,896		1,600,151,636		1,870,981	1,972,821	2,027,513	2,091,970
				I				
BY MEANS OF FINANCING								
DI MERIO DI TIMMOTIO	63.00*	63.00*	59.00*	59.00*	59.0*	59.0*	59.0*	59.0*
GENERAL FUND	658,613,306			708,315,668		843,794		894,433
SENERAL TONS	30.00*			31.00*	31.0*	31.0*	31.0*	31.0*
TRUST FUNDS			12,431,726	11,439,626	11,439	11,439	11,439	11,439
INTERDEPT. TRANSFER				938,717,339	1,049,537			1,175,032
	99.00*			99.00*	99.0*	99.0*	99.0*	99.0*
OTHER FUNDS	10,994,181	14,110,115	11,317,896	11,317,896	11,066	11,066	11,066	11,066
CAPITAL IMPROVEMENT COSTS		10,000		1				
PLANS Design		10,000		1				
CONSTRUCTION	341,958,000		75,000,000	75,000,000	75 000	75,000	75,000	75,000
CONSTRUCTION	341,958,000							
TOTAL CAPITAL EXPENDITURES	341,958,000	571,593,000		75,000,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING G.O. BONDS	341,958,000	571,593,000	75,000,000	75,000,000	75,000	75,000	75,000	75,000
TOTAL POSITIONS TOTAL PROGRAM COST	192.00*		189.00*	189.00* 1,744,790,529	189.00* 1.945.981	189.00* 2.047.821	189.00* 2,102,513	189.00* 2,166,970

PROGRAM ID:

BUF101

PROGRAM STRUCTURE NO. 11010305

PROGRAM TITLE:

DEPARTMENTAL ADMINISTRATION & BUDGET DIV

		IN DOLLA	RS	!		IN THOU	SANDS	
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
OPERATING COST PERSONAL SERVICES OTHER CURRENT EXPENSES EQUIPMENT	49.00* 2,875,840 8,189,291 923			45.00* 2,992,333 8,268,958	45.0* 2,992 8,269	45.0* 2,992 8,269	45.0* 2,992 8,269	45.0* 2,992 8,269
TOTAL OPERATING COST	11,066,054	12,114,034	11,261,291	11,261,291	11,261	11,261	11,261	11,261
						 		
BY MEANS OF FINANCING	49.00*	49.00*	45.00*	45.00*	45.0*	45.0*	45.0*	45.0*
GENERAL FUND	11,066,054	12,114,034	11,261,291	11,261,291	11,261	11,261	11,261	11,261
CAPITAL IMPROVEMENT COSTS PLANS		10,000 10,000						
DESIGN CONSTRUCTION	341,958,000		75,000,000	75,000,000	75,000	75,000	75,000	75,000
TOTAL CAPITAL EXPENDITURES	341,958,000	571,593,000	75,000,000	75,000,000	75,000	75,000	75,000	75,000
BY MEANS OF FINANCING G.O. BONDS	341,958,000	571,593,000	75,000,000	75,000,000	75,000	75,000	75,000	75,000
TOTAL POSITIONS TOTAL PROGRAM COST	49.00* 353,024,054	49.00* 583,707,034	86,261,291	45.00* 86,261,291	45.00* 86,261	45.00* 86,261	45.00* 86,261	45.00* 86,261

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:
PROGRAM TITLE:
DEPARTMENTAL ADMINISTRATION AND BUDGET DIVISION

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. % OF RECOMMDTNS ON DEPT REQSTS COMPLTD BY DUE DATE 2. PECENTAGE OF VENDOR PAYMENTS MADE WITHIN 30 DAYS 3. % VAR IN EXP FIXED COST/ENTITLMTS VS ANNL ALLTMNT 4. %PAYRLL-REL HRMS TRANS COMPL W/IN 5 DAYS OF APPRVL 5. % USER IT TROUBLSHTG REQ RESPND TO W/IN 2 WKG DAYS 6. % PC/LAN MALFUNCTNS RESPONDED TO WITHIN 6 WKG DAYS	90	90	90	90	90	90	90	90
	76	84	84	84	84	84	84	84
	3	8	8	8	8	8	8	8
	92	92	92	92	92	92	92	92
	95	95	95	95	95	95	95	95
	95	95	95	95	95	95	95	95
PROGRAM TARGET GROUPS 1. GOVERNOR AND EXECUTIVE AGENCIES	20	20	20	20	20	20	20	20
PROGRAM ACTIVITIES 1. NO. OF DEPT PROGRAM PLANS REVIEWED AND PROCESSED 2. NO. OF PROGRAM BUDGET REQUESTS REVIEWED & PROCESSED 3. NUMBER OF PROGRAM MEMORANDA PREPARED 4. NUMBER OF VARIANCE REPORTS REVIEWED AND PROCESSED 5. NO. OF EXPEND PLANS & ALLOTMENT REQUESTS PROCESSED 6. NUMBER OF REFERRALS PROCESSED 7. NO. OF LEGISLATIVE PROPOSALS REVIEWED FOR GOVERNOR 8. NO. BILLS PASSED BY LEGISLATURE REVIEWED FOR GOV 9. NO. OF REORGANIZATN PROPOSALS REVIEWED & PROCESSED 10. NO. OF CIP ALLOTMENT REQUESTS REVIEWED & PROCESSED	153 934 0 265 3814 1999 68 260 23 602	265 1000 11 265 4000 1700 100 260 20	265 1000 0 265 4000 1700 250 260 12 600	265 1000 11 265 4000 1700 250 260 12 600	265 1000 0 265 4000 1700 250 260 12 600	265 1000 11 265 4000 1700 250 260 12 600	265 1000 0 265 4000 1700 250 260 12 600	265 1000 11 265 4000 1700 250 260 12
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) CHARGES FOR CURRENT SERVICES NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	59,757	59,945	61,290	62,422	63,301	66,010	67,723	67,723
	151,684	174,940	174,940	174,940	174,940	174,940	174,940	174,940
	211,441	234,885	236,230	237,362	238,241	240,950	242,663	242,663
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS SPECIAL FUNDS TOTAL PROGRAM REVENUES	196,995	220,439	221,784	222,916	223,795	226,504	228,217	228,217
	14,446	14,446	14,446	14,446	14,446	14,446	14,446	14,446
	211,441	234,885	236,230	237,362	238,241	240,950	242,663	242,663

A. <u>Statement of Program Objectives</u>

To facilitate and improve the executive resource allocation process by thorough planning, programming, and budgeting and analyses, through sound recommendations on all phases of program scope and funding, and by efforts to simplify and more directly tie program performance with resource allocation decisions.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

The FB 09-11 Executive Biennium Budget submission for this program reflects general fund reductions (from the established budget ceilings) of \$1,019,940 in both FY 2010 and FY 2011 to meet the mandated departmental biennium budget reduction targets. The reductions include the abolishment of four (4.00) permanent and two (2.00) temporary positions and funding for services on a fee, printing, the Bishop Museum, court appointed counsel, and equipment.

The biennium budget includes General Obligation Bond transfers of: 1) \$45 million in each year of the biennium to the State Educational Facilities Improvement (SEFI) Special Fund to permit the State to meet its obligation under Section 36-32, HRS, and Section 237-31, HRS; and 2) \$30 million in each year of the biennium to the Hawaiian Home Lands Trust fund to satisfy the provisions of Act 14, SpSLH 1995.

C. <u>Description of Activities Performed</u>

Major activities carried out by this program are as follows:

- Conducts continuous review and advises the Governor on the financial condition of the State.
- 2. Assists in the preparation, explanation and administration of the State's long-range plans, proposed six-year program and financial plan, and State budget.

- 3. Performs other staff services for the Governor as required.
- Advises on and monitors compliance of the budget execution policies and procedures.
- Conducts comprehensive and in-depth analysis on State programs, operations, problems and issues to provide management with sound, rationale basis for decision-making.
- 6. Provides information requested by the Legislature.
- 7. Reviews proposed legislation and recommends appropriate action to the Governor on bills awaiting her signature.
- Develops, designs, and implements government-wide management improvement projects to increase the effectiveness and economical use of management resources.
- 9. Provides administrative support activities to the Department.

D. <u>Statement of Key Policies Pursued</u>

The method of attaining program objective is the implementation of legislative policies expressed in Chapter 37, HRS.

E. <u>Identification of Important Program Relationships</u>

This program has significant relationships with the legislature and staff agencies to ensure that the State budget is consistent with applicable laws and policies.

This program also works with the Financial Administration Program (BUF 115) to ensure availability of funds for capital improvement projects.

F. <u>Description of Major External Trends Affecting the Program</u>

None.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

Future measures of effectiveness for this program may be impacted as a result of the reductions in program resources to meet the departmental budget reduction targets for the FB 09-11 Executive Biennium Budget.

H. <u>Discussion of Program Revenue</u>

None.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. Further Considerations

None.

PROGRAM ID:

BUF115

PROGRAM STRUCTURE NO. 11020301

PROGRAM TITLE:

FINANCIAL ADMINISTRATION

FY2007-08 18.00* 1,142,318 7,425,807 8,568,125	FY2008-09 	18.00* 1,281,300 7,612,451	FY2010-11 18.00* 1,281,300	FY2011-12 18.0* 1,282	FY2012-13 18.0* 1,282	FY2013-14 	FY2014-15 18.0*
1,142,318 7,425,807	1,262,295	1,281,300	1,281,300				18.0*
7,425,807				1,282			
8,568,125			7,612,451	7,612	7,612	1,282 7,612	1,282 7,612
	8,107,438	8,893,751	8,893,751	8,894	8,894	8,894	8,894
			i				*
14.00*	14.00*	14.00*	14.00*	14.0*	14.0*	14.0*	14.0*
2,159,669	2,059,165	1,845,203	1,845,203	1,846	1,846	1,846	1,846
4.00*	4.00*	4.00*	4.00*	4.0*	4.0*	4.0*	4.0*
6,408,456	6,042,748	7,043,023	7,043,023	7,043	7,043	7,043	7,043
	5,525	5,525	5,525	5	5	5	5
18.00*	18.00*	18.00*	18.00*	18.00*	18.00*	18.00*	18.00*
8,568,125	8,107,438	8,893,751	8,893,751	8,894	8,894	8,894	8,894
	6,408,456 18.00*	6,408,456 6,042,748 5,525 18.00* 18.00*	6,408,456 6,042,748 7,043,023 5,525 5,525 18.00* 18.00* 18.00*	6,408,456 6,042,748 7,043,023 7,043,023 5,525 5,525 5,525 18.00* 18.00* 18.00*	6,408,456 6,042,748 7,043,023 7,043,023 7,043 5,525 5,525 5,525 5 18.00* 18.00* 18.00* 18.00*	6,408,456 6,042,748 7,043,023 7,043,023 7,043 7,043 5,525 5,525 5 5 18.00* 18.00* 18.00* 18.00* 18.00* 18.00*	6,408,456 6,042,748 7,043,023 7,043,023 7,043 7,043 7,043 5,525 5,525 5 5 5 5 5 5 5 5 5 5 5 5 5 5

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID: BUF115
PROGRAM STRUCTURE: 11020301
PROGRAM TITLE: FINANCIAL ADMINISTRATION

	FY							
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS								
1. AV ANN RATE OF RETURN ON STATE TREASRY INVSTMTS 2. RATE OF INT PD ON STATE BONDS REL TO BOND INDEX(%) 3. % TREASURY TRANSACTNS UNRECONCILED AFTER 30 DAYS 4. %INCR IN NEW UNCLAIMED PROP HOLDER REPTS FILED 5. % INCR IN UNCLAIMED PROPERTY AMOUNTS REPORTED 6. %INCR IN RETURNS OF UNCLMD PROP TO RIGHTFUL OWNERS	4	3	3	3	3	3	3	3
	95	90	90	90	90	90	90	90
	54	8	8	8	8	8	8	8
	10	4	4	4	4	4	4	4
	-14	1	1	1	1	1	1	1
	30	4	4	5	5	5	5	5
PROGRAM TARGET GROUPS 1. STATE DEPARTMENTS 2. STATE INVESTMENT ACCOUNTS 3. STATE FUND INVESTMENTS (\$ MILLIONS) 4. LOCAL AND MAINLAND FINANCIAL INSTITUTIONS 5. UNCLAIMED PROPERTY HOLDERS 6. OWNERS OF UNCLAIMED PROPERTY	20	20	20	20	20	20	20	20
	9	9	9	9	9	9	9	9
	1420	1413	1413	1413	1481	1497	1513	1529
	11	11	11	11	11	11	11	11
	11227	11800	11800	11800	11800	11800	11800	11800
	92119	95000	95000	95000	95000	95000	95000	95000
PROGRAM ACTIVITIES 1. NO. OF STATE BOND ISSUES UNDERTAKEN 2. #STATE BOND CALLS AND/OR REDEMPTIONS INITIATED 3. NO. OF STATE BOND ACCOUNTS/HOLDERS SERVICED 4. AMOUNT OF STATE FUNDS MANAGED (IN MILLIONS) 5. NO. OF STATE AGENCY ACCOUNTS SERVICED 6. NO. OF UNCLAIMED PROPERTY CLAIMS PAID 7. AMOUNT OF UNCLAIMED PROPERTY CLAIMS PAID (000'S)	6	10	8	7	8	7	8	7
	2	0	2	0	2	0	2	0
	30	30	30	30	30	30	30	30
	3842	3823	3823	3823	4000	4200	4400	4600
	368	368	368	368	368	368	368	368
	9748	9750	9750	9750	9750	9750	9750	9750
	5938	5940	5940	5940	5940	5940	5940	5940
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY REVENUE FROM OTHER AGENCIES: FEDERAL REVENUE FROM OTHER AGENCIES: ALL OTHER NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	48,418	48,857	49,352	49,841	47,756	48,380	49,012	49,012
	8	8	8	8	8	8	8	8
	14,789	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	12,880	7,000	7,000	7,000	7,000	7,000	7,000	7,000
	76,095	65,865	66,360	66,849	64,764	65,388	66,020	66,020
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS ALL OTHER FUNDS TOTAL PROGRAM REVENUES	61,306	55,865	56,360	56,849	54,764	55,388	56,020	56,020
	14,789	10,000	10,000	10,000	10,000	10,000	10,000	10,000
	76,095	65,865	66,360	66,849	64,764	65,388	66,020	66,020

A. Statement of Program Objectives

To maximize the value, investment, and use of State funds through proactive planning, the development of prudent statewide financial policies, the timely scheduling of State bond financing and the establishment of appropriate cash management controls and procedures.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

The FB 09-11 Executive Biennium Budget request for this program reflects general fund reductions (from the established budget ceiling) of \$304,704 in both FY 2010 and FY 2011. The reductions include the following: 1) Federal Cash Management Improvement Act (CMIA) and Services on a Fee (-\$156,290); 2) Bond Counsel (-\$54,138); and 3) Other Operating primarily in R&M Office Furniture and Equipment, Fiscal Agents and Bank Service Fees (-\$94,276).

The proposed reductions impact the programs as follows: the program will no longer be able to fund the liabilities incurred by other departments and agencies under the CMIA, therefore, departments and agencies that actually incur and generate the liability will be responsible for the payment of such liability; 2) bond counsel fees will be paid as a part of the costs of issuance with each general obligation bond sale; 3) other program expenses will require close monitoring to ensure that the most critical program needs are addressed.

The FB 09-11 Executive Biennium Budget request also includes \$1 million for the Unclaimed Property Trust Fund program to increase the amounts available for the settlement of unclaimed property judgments and claims from \$5.5 million to \$6.5 million in both FY 2010 and FY 2011. Actual FY 2008 claims totaled approximately \$6.0 million. Over the next biennium it is anticipated that current outreach efforts by the program will result in further increases in the expenditure levels for these claims.

C. <u>Description of Activities Performed</u>

One of the major activities of this program is to plan, direct, and coordinate the overall financial policies that govern investments and the issuance and marketing of State of Hawaii bonds.

Other major activities of this program are to receive, safeguard and disburse funds in the State Treasury to meet payment of State obligations and invest moneys in excess of the amount necessary for meeting the immediate requirements of the State. The program also administers the Unclaimed Property function by assuming custody and responsibility for the safekeeping of property presumed abandoned. The program also returns property presumed abandoned when the rightful owners file claims.

D. Statement of Key Policies Pursued

Manage State funds based on criteria of safety, liquidity, and yield to ensure payment of State obligations in a timely manner. Invest funds consistent with the administration's policy which provides that in cases where State monies are in excess of the amount necessary to meet immediate requirements, and where action will not impede or hamper the financial operation of the State, such monies shall be invested in the types of investments permitted under Chapter 36, Hawaii Revised Statutes, as amended.

Adhere to standards of internal and external controls to safeguard State funds and securities. Sections 38-2 and 38-3, Hawaii Revised Statutes (HRS), provide for the pledging of securities by financial institutions, serving as depositories of State funds, for the protection of public funds.

Section 40-7, HRS, requires an annual count of moneys and securities in the State Treasury.

Determine the specific date and amount of bond sales based on cash requirements of the State and prevailing money market conditions. The debt management program determines the specific date and amount of bond sales based on cash requirements of the State and prevailing market conditions.

The Unclaimed Property Program protects the interest of owners of abandoned property by assuming State custody of such property until claimed by their rightful owners. Chapter 523A, HRS, provides the statutory guidelines for the administration of the State Unclaimed Property Program.

E. <u>Identification of Important Program Relationships</u>

Investments of cash in excess of the State's immediate requirements are made on a regular basis with banks and other financial institutions. In an effort to maximize the interest earnings for the State, this program works closely with these institutions to obtain the best possible interest rates at any given time.

To carry out the coordination of the State's Bond Program, direct involvement with other State department programs is necessary in areas such as: 1) directing the activities of and participating in issuing revenue bonds; and 2) evaluating and recommending alternative financing options to meet funding requirements.

This program is instrumental in directing all activities of a bond issue. Essential to planning the issuance and marketing the sale of bonds is a good working relationship with bond counsel, underwriters, investment banking firms and other private sector entities. Coordination of the timing of bond issuances by the State and four Counties is important to avoid having a number of Hawaii issues in the marketplace at any one time which would lead to higher interest costs for all issuers and a negative impact on the marketability of the bonds.

Also important in the marketability of a bond is the bond rating established by national bond rating agencies. Any factors which would possibly affect the State's bond rating are conveyed in a timely manner to these agencies.

F. Description of Major External Trends Affecting the Program

The state of the economy, on the national, international, and local levels, is a major focus area of this program. The program must continually assess and evaluate the State's overall financial condition. It is important to keep abreast of local, national, and international economic, social, and financial trends affecting financing and investments. This program must be aware of Federal and State laws, rules and issues related to investments, debt financing, and cash management to ensure that the State's financial policies and procedures are in conformance. When new procedures are necessary to ensure conformance, they must be implemented in a timely manner.

Since the cash resources of the State constitute a significant and important aspect of the financial management of the State, trends in interest rates are closely monitored. The State's investment earnings are determined to a large extent by the prevailing interest rates of short-term securities. The prime-lending rate of the banks, which generally sets the tone for all investment rates, is closely monitored.

G. <u>Discussion of Cost</u>, <u>Effectiveness</u>, and Program Size Data

As of June 30, 2008, there was \$3.842 billion in the State Treasury's investment portfolio. Of this amount, \$1.667 billion was invested in interest bearing securities issued by financial institutions doing business in the State and \$2.175 billion in securities issued by the U.S. Treasury, agencies of the United States Government and other investments.

H. <u>Discussion of Program Revenue</u>

Major program revenues are derived from the following sources:

- 1. Interest earned on interest bearing demand accounts.
- 2. Interest earned on certificates of time deposits.
- 3. Interest earned on U.S. Treasury Bills and repurchase agreements primarily acquired for liquidity purposes.
- 4. Assessments on State Agencies for the payment of interest and principal on reimbursable general obligation bonds.
- 5. Collections from properties presumed abandoned.

I. Summary of Analysis Performed

No in-depth program analysis has been conducted.

J. Further Considerations

Not applicable.

PROGRAM ID:

BUF915

PROGRAM STRUCTURE NO. 11020302

PROGRAM TITLE:

DEBT SERVICE PAYMENTS

						IN THOUSANDS				
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15		
CAPITAL IMPROVEMENT COSTS PERSONAL SERVICES										
OTHER CURRENT EXPENSES	565,016,997	599,282,851	492,772,875	518,582,615	680,777	740,668	750,713	767,883		
TOTAL OPERATING COST	565,016,997	599,282,851	492,772,875	518,582,615	680,777	740,668	750,713	767,883		
BY MEANS OF FINANCING										
GENERAL FUND	254,535,613	274,711,259	225,887,085	237,718,270	312,068	339,522	344,127	351,998		
INTERDEPT. TRANSFER	310,481,384	324,571,592	266,885,790	280,864,345	368,709	401,146	406,586	415,885		
TOTAL POSITIONS	***	*	*	*	*	*	*	*		
TOTAL PROGRAM COST	565,016,997	599,282,851	492,772,875	518,582,615	680,777	740,668	750,713	767,883		

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:

BUF915
11020302
DEBT SERVICE PAYMENTS

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. NEW PROGRAM ID ESTABLISHED BY LEGISLATURE.								
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY NON-REVENUE RECEIPTS	20,238	18,928	17,737	16,799	15,677	14,617	14,617	14,617
	29,629	24,189	18,367	22,527	20,205	17,762	17,762	17,762
TOTAL PROGRAM REVENUES PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS	49,867	43,117	36,104	39,326	35,882	32,379	32,379	32,379
	49,861	43,111	36,098	39,320	35,876	32,373	32,373	32,373
ALL OTHER FUNDS TOTAL PROGRAM REVENUES	49,867	6 43,117	6 36,104	6 39,326	6 35,882	6 32,379	6 32,379	<u>6</u> 32,379

A. Statement of Program Objectives

To make and record debt service payments for the State in a timely and accurate manner.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

General Obligation (G.O.) bond debt service costs are projected to be \$492.7 million in FY 10 and 518.6 million in FY 11. The request reflects a projected net decrease (all means of financing) in debt service cost of \$36.4 million in FY 10 and \$15.5 million in FY 11 over the established FB 2010-11 budget ceilings due to a combination of the revised bond issuance plan and the refunding/restructuring bond sale(s) that is further described in item G.

The proposed G.O. bond issuance plan is as follows:

FY 09 1st Half)
FY 09 2 nd Half	\$424,000,000	\$550,000,000
-		
FY 10 1 st Half		
FY 10 2 nd Half	\$275,000,000	\$550,000,000
FY 11 1 st Half	\$275,000,000	
FY 11 2 nd Half	\$275,000,000	\$550,000,000
		7
FY 12 1 st Half	\$330,000,000	
FY 12 2 nd Half		\$670,000,000
FY 13 1 st Half	\$330,000,000	
FY 13 2 nd Half	\$340,000,000	\$670,000,000
Total		2,990,000,000

The debt service on the FY 09 2nd half bond sale is projected at an interest rate of 6.00%. The debt service for all subsequent bond sales is projected at an interest rate of 6.50%

C. <u>Description of Activities Performed</u>

Closely monitor the municipal bond market in planning, directing, and coordinating the structure and sale of General Obligation bonds to allow the State to obtain the lowest overall cost of financing.

D. Statement of Key Policies Pursued

Adhere to strict Federal and State statutes relating to the tax-exempt status of the bonds.

E. <u>Identification of Important Program Relationships</u>

None.

F. <u>Description of Major External Trends Affecting the Program</u>

Debt service payments are impacted directly by the overall financial markets, on a local, national and international level. Specifically, the impact of these markets on the U.S. municipal bond market affects the interest rates incurred in the sale of the G.O. bonds. In addition, the condition of the Hawaii's economy and management of the State's budget affect bond ratings, which in turn, have an impact on the interest rates paid on the bonds.

G. Discussion of Cost, Effectiveness, and Program Size Data

G.O. bonds issued and outstanding as of July 1, 2008 totaled \$4.433 billion. The estimated cost of debt service for general obligation bonds is as follows:

(In Thousands of Dollars)										
	Actual	Estimated	Estimated	Estimated						
	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>						
Principal	\$323,825	\$250,074	\$333,369	\$359,405						
Interest	241,191	242,065	259,609	264,175						
Refunding	n/a	n/a	<100,205>	<104,997>						
Total	\$ <u>565,016</u>	\$ <u>492,139</u>	\$ <u>492,773</u>	\$ <u>518,583</u>						

The Department is planning on issuing refunding/restructuring G.O. bonds prior to the FY 10 and FY 11 fiscal years which will result in a debt service reduction of \$100 million in FY 10 and reduction of \$105 million in FY 11.

H. <u>Discussion of Program Revenue</u>

Dependent upon market conditions, a premium on the sale of the bonds may be generated which is credited to the general fund.

I. Summary of Analysis Performed

Financial analyses are conducted during each bond sale to determine the most cost efficient means to structure the bonds while achieving the program goals.

J. Further Considerations

None.

PROGRAM ID:

BUF141

PROGRAM STRUCTURE NO. 11030601

PROGRAM TITLE:

EMPLOYEES' RETIREMENT SYSTEM

					IN THOUSANDS					
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15		
OPERATING COST	99.00*	99.00*	99.00*	99.00*	99.0*	99.0*	99.0*	99.0*		
PERSONAL SERVICES	6,435,996	6,845,895	6,958,301	6,958,301	6,958	6,958	6,958	6,958		
OTHER CURRENT EXPENSES	4,317,511	6,677,000	4,159,095	4,108,295	4,108	4,108	4,108	4,108		
EQUIPMENT	240,674	587,220	200,500	251,300		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,				
TOTAL OPERATING COST	10,994,181	14,110,115	11,317,896	11,317,896	11,066	11,066	11,066	11,066		
BY MEANS OF FINANCING										
	99.00*	99.00*	99.00*	99.00*	99.0*	99.0*	99.0*	99.0*		
OTHER FUNDS	10,994,181	14,110,115	11,317,896	11,317,896	11,066	11,066	11,066	11,066		
TOTAL POSITIONS	99.00*	99.00*	99.00*	99.00*	99.00*	99.00*	99.00*	99.00*		
			11,317,896	11,317,896	11,066	11,066	11.066	11,066		

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:

BUF141
11030601
EMPLOYEES' RETIREMENT SYSTEM

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS 1. AV TIME TO PROC INIT CHECK TO TERMNTG EMPLYS (WKS) 2. % INITIAL MTHLY PENSION PROC W/IN 1 MTH AFTR RETIR 3. ANNUALIZED RETURN ON INVESTMENTS OVER PAST 5 YEARS	4	3	3	3	3	3	3	3
	100	100	100	100	100	100	100	100
	10.1	7.5	8	8	8	8	8	8
PROGRAM TARGET GROUPS 1. ACTIVE MEMBERS 2. RETIRED MEMBERS 3. INACTIVE VESTED MEMBERS	66665	67300	67935	68570	69205	69840	70475	71110
	36270	37300	38330	39360	40390	41420	42450	43480
	5847	6000	6153	6459	6612	6765	6918	7071
PROGRAM ACTIVITIES 1. ANNUAL NUMBER OF NEW MEMBERS 2. ANNUAL NUMBER OF MEMBERS COUNSELED 3. ANNUAL NUMBER OF RETIREMENT BENEFIT COMPUTATIONS 4. ANNUAL NUMBER OF NEW RETIREES 5. ANNUAL RETIREMNT BENEFIT PAYMNT AMOUNTS (MILLIONS) 6. ANNUAL NUMBER OF DECEASED MEMBER CLAIMS 7. ANNUAL NUMBER OF REFUND PAYMENTS 8. ASSETS (BILLIONS OF DOLLARS) 9. ANNUAL NET INVESTMENT INCOME (MILLIONS) 10. ANNUAL RETURN ON INVESTMENTS	5766 4111 6160 1898 796 1013 494 10.8 -461 -3.5	5000 6000 6000 2000 840 1600 1000 9 -1700 -16	4000 10000 7000 2000 880 1600 1000 10 900 8	4000 14000 7500 2000 920 1600 1000 11 1000 8	4000 14000 8000 2000 960 1600 1000 12 1100 8	4000 14000 8500 2000 1000 1600 1000 13 1200	4000 14000 8500 2000 1050 1600 1000 14 1200 8	4000 14000 8500 2000 1100 1600 1000 15 1200 8

A. <u>Statement of Program Objectives</u>

To administer the retirement and survivor benefits program for the State and county members and to anticipate and exceed their needs; manage the Retirement System's resources in a responsible and cost-effective manner; prudently manage investments in accordance with fiduciary standards; and to provide an open and participative work environment for staff.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

No new programs are being proposed at this time. The program is in compliance with Section 37-68(1)(A)(B).

C. <u>Description of Activities Performed</u>

The major activities in this program are: pre-retirement counseling services; computation of retirement, disability and death benefits; enrollment of new State and County employees; conducting disability hearings and appeals; processing retirement checks on a timely basis; tax reporting requirements for benefit distributions; management oversight, safeguarding and accounting for the program's investments in stocks, bonds, foreign securities, mortgages, real estate, certificates of deposits, etc.

D. Statement of Key Policies Pursued

The Board of Trustees establishes policies and procedures to administer the program and to conduct disability hearings and appeals. The Board also develops asset allocation strategies to prudently maximize the rate of return on investments for the benefit of the State and County government employers and ERS members and pensioners.

E. <u>Identification of Important Program Relationships</u>

Major funding from this program is provided by investment earnings; employer contributions received under program BUF 941, and member contributions.

F. <u>Description of Major External Trends Affecting the Program</u>

The ERS' Actuary has estimated that approximately 11,000 out of the 24,000 eligible retirees will retire over the next 5 years. This anticipated increase in the number of annual new retirees will have an impact on the operational requirements of this program.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

The ERS' new computer and office automation system will be implemented during FY 2009. The new ERS computer system will enable staff to expedite the computation of retirement estimates, finalize retirement benefits more efficiently, and provide good interactive services to ERS' members. In addition, the accounting and analysis of investments will be both more efficient and timely.

H. <u>Discussion of Program Revenue</u>

Program revenues are received from:

Earnings on investment portfolio consisting of real estate loans and mortgages, preferred and common stocks, government obligations; corporate obligations; certain debt instruments; real property; alternative investments; and other securities and futures contracts as authorized by Section 88-119 of the Hawaii Revised Statutes.

Employer contributions for the Pension Accumulation Fund received from the State and Counties are based on a percentage of payroll.

Employee contributions from approximately 7,700 members in the Contributory Plan and 34,500+ members in the Hybrid Plan.

I. <u>Summary of Analysis Performed</u>

None.

J. <u>Further Considerations</u>

None.

REPORT P61-A

PROGRAM ID:

BUF143

PROGRAM STRUCTURE NO. 11030603

PROGRAM TITLE:

HAWAII EMPLOYER-UNION TRUST FUND

		IN DOLLAI	RS	IN THOUSANDS					
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15	
OPERATING COST	26.00*	27.00*	27.00*	27.00*	27.0*	27.0*	27.0*	27.0*	
PERSONAL SERVICES	1,509,962	1,937,256	2,095,153	2,095,153	2,095	2,095	2,095	2,095	
OTHER CURRENT EXPENSES	11,762,807	2,824,643	3,293,550	2,301,450	2,301	2,301	2,301	2,301	
TOTAL OPERATING COST	13,272,769	4,761,899	5,388,703	4,396,603	4,396	4,396	4,396	4,396	
BY MEANS OF FINANCING									
DI MENUS OF FINANCING	26.00*	27.00*	27.00*	27.00*	27.0*	27.0*	27.0*	27.0*	
TRUST FUNDS	13,272,769	4,761,899	5,388,703	4,396,603	4,396	4,396	4,396	4,396	
TOTAL POSITIONS	26.00*	27.00*	27.00*	27.00*	27.00*	27.00*	27.00*	27.00*	
TOTAL PROGRAM COST	13,272,769	4,761,899	5,388,703	4,396,603	4,396	4,396	4,396	4,396	

PERFORMANCE MEASURES AND PROGRAM REVENUES

PROGRAM ID: BUF143
PROGRAM STRUCTURE: 11030603
PROGRAM TITLE: HAWAII EMPLOYER-UNION TRUST FUND

	FY	FY	FY	FY	FY	FY	FY	FY
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEASURES OF EFFECTIVENESS								
 % DOCUMENTS IMAGED BY END 1ST WRKNG DAY AFTER RCPT AV NO. DAYS REQUIRED TO PROCESS ENROLLMNT TRNSCTNS PERCENTAGE OF ABANDONED CALLS PERCENTAGE OF REFUNDS PROCESSED WITHIN 60 DAYS % OF SHORTAGE CONDITIONS CLEARED WITHIN 60 DAYS % PARTICIPANTS ATTENDING INFO SESSIONS IN ONE YEAR % OF TIME COMPUTER SYSTEM IS AVAILABLE DURING 1 YR % COBRA FORM/NOTICES SENT WIN REQUIRD TIME FRAME % ELIG RETIREES/SPOUSES ENROLLD IN MEDICARE PART B NO. OF MINOR & MAJOR HIPAA VIOLATIONS PER YEAR 	99 13 5 60 55 1.5 98 99	99 13 5 65 60 20 98 99 96 3	99 10 5 65 60 20 98 99 97 3	99 8 5 70 70 20 98 99 98	99 7 5 70 70 20 98 99 99	99 7 5 70 70 20 98 99 99	99 7 5 70 70 20 98 99 99	99 7 5 70 70 20 98 99 99
PROGRAM TARGET GROUPS 1. TOTAL EMPLOYEES - (ACTIVES) FULL-TIME (STATE/CNTY) 2. TOTAL EMPLOYEES - RETIRED 3. TOTAL DEPENDENT BENEFICIARIES 4. MEDICARE PREMIUM REIMBURSEMENT RECIPIENTS 5. PERSONNEL AND FINANCE OFFICERS	55125	55600	55600	55600	55600	55600	55600	55600
	37525	38225	38925	39625	39625	39625	39625	39625
	75165	75665	76165	76665	76665	76665	76665	76665
	36366	37000	38000	39000	39000	39000	39000	39000
	500	500	500	500	500	500	500	500
PROGRAM ACTIVITIES 1. NEW ENROLLMENTS (ADDITIONS) 2. TERMINATIONS (DELETIONS, CANCELLATIONS) 3. ENRILMNT DATA CHGS (INS PLAN, NAME, ADDRESS, ETC.) 4. COBRA ENROLLMENTS 5. OUTREACH/EDUC BENEFIT BRIEFING SESSIONS CONDUCTED	7744	8700	9000	9300	9300	9300	9300	9300
	6089	6300	6500	6700	6700	6700	6700	6700
	22400	23400	24400	25400	25400	25400	25400	25400
	3200	3300	3300	3300	3300	3300	3300	3300
	115	120	120	120	120	120	120	120
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) REVENUES FROM THE USE OF MONEY AND PROPERTY CHARGES FOR CURRENT SERVICES NON-REVENUE RECEIPTS TOTAL PROGRAM REVENUES	4,216 1,159 586,025 591,400	4,216 576,380 580,596	4,216 602,014 606,230	4,216 628,831 633,047	4,216 656,886 661,102	4,216 686,241 690,457	4,216 716,958 721,174	4,216 749,103 753,319
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) ALL OTHER FUNDS TOTAL PROGRAM REVENUES	<u>591,400</u>	580,596	606,230	633,047	661,102	690,457	721,174	753,319
	591,400	580,596	606,230	633,047	661,102	690,457	721,174	753,319

A. Statement of Program Objectives

To administer health and life insurance benefits for eligible active and retired State and county public employees and their dependents by 1) providing quality service levels to employee-beneficiaries and dependent-beneficiaries, 2) complying with federal and State legal requirements.

B. <u>Description of Request and Compliance with Section 37-68 (1)(A)(B)</u>

The FB 2009-11 Executive Budget Request is based on improving quality service levels to our customers and complying with federal and State legal requirements of the Hawaii Employer-Union Health Benefits Trust Fund ("Trust Fund").

The request includes trust fund expenditure authorization of \$1.037 million in FY 2010 for an eligibility audit to ensure that proper benefit coverage is provided to dependents in the Trust Fund's health plans. Industry statistics show that ineligible dependents cost employers an extra 2%-6% and sometimes as high as 10%-in plan costs. The EUTF currently has approximately 34,000 employee-beneficiaries with one or more dependents. The benefit consultant estimates savings over a five year period of about \$35 million. The EUTF anticipates savings as a result of lower aggregate claim costs when ineligible dependents are terminated and this will translate into lower future employee and employer premiums.

Trust funds are also reduced in FY 2010 and FY 2011 primarily to comply with budget proviso section 124.3 of Act 158, SLH 2008 which requires the FY 2009 appropriation for Investment Consultant Services to be treated as a non-recurring cost item.

C. <u>Description of Activities Performed</u>

Board of Trustees:

- 1. Determine the nature and scope of the benefit plans.
- 2. Negotiate and enter into contracts with insurance carriers.
- 3. Procure fiduciary liability insurance, fidelity bond, and errors and omissions coverage.
- 4. Establish eligibility criteria and management policies for the Trust Fund.
- 5. Contract for financial audits of the Trust Fund and claims audits of its carriers.
- 6. Oversee all Trust Fund activities.

Trust Fund Staff:

- 1. Train State and County personnel and fiscal officers to enroll eligible employees and retirees in benefit plans; publicize benefit plan information.
- 2. Administer benefit plans; review eligibility determinations; process enrollment applications; record cancellations and terminations; update files; respond to inquiries about benefit plan enrollments.
- 3. Collect and reconcile employee payroll deductions and employer contributions in accordance with statutes and collective bargaining agreements; remit premiums to insurance carriers.
- 4. Authorize the disbursement of Trust Fund Life Insurance Plan proceeds to beneficiaries and reimbursement of Medicare Part B health insurance premiums to eligible retirees and their spouses.

- Administer enrollment records for qualified-beneficiaries eligible under P.L. 99-272. Federal COBRA law mandates a temporary extension of health insurance benefits for these persons.
- Maintain financial records for employees enrolled in the State of Hawaii's Premium Conversion Plan.
- Comply with HIPAA privacy regulations and policies related to health benefit enrollment records.
- 8. Comply with Government Accounting Standards Board ("GASB") No. 43, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans, and 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Collect and maintain separate employer accounts for the pre-funding of Other Post Employment Benefits ("OPEB").

D. Statement of Key Policies Pursued

Each State and County employing agency is responsible to notify their eligible employees about the Trust Fund's benefit plans by distributing information and providing enrollment assistance.

In order to receive benefits, employees must file enrollment applications with their employing agency; new retirees file directly with the Trust Fund.

Employers, employees, and retirees are required to make timely payments for benefit plans to the Trust Fund office as appropriate.

The Trust Fund office services the health and life insurance benefits enrollment needs of State and County employees and retirees.

E. <u>Identification of Important Program Relationships</u>

The Board of Trustees negotiates health benefit and group life insurance plans with insurance carriers. Public employers and employees are notified of premium rates after collective bargaining agreements are negotiated.

EUTF maintains liaison with insurance carriers, legislative committees, Social Security Administration, unions, State and County Directors of Finance and Personnel, and the State Office of Collective Bargaining.

The State and County Directors of Finance pay negotiated and statutory contributions amounts to the Trust Fund. The Trust Fund collects both State and County employer and employee contributions. After processing and reconciling the enrollments and contributions, the Trust Fund remits applicable amounts to insurance carriers for insurance premiums.

The Trust Fund notifies employees of premium shortages and their ineligibility to receive benefits if deficiencies are not paid in full.

A Benefit Plan Consultant advises the Board and staff on benefit programs. The consultant provides comprehensive data on benefit plan trends and conducts special studies on benefit improvements as directed by the Board of Trustees.

The State Attorney General's Office provides legal assistance by reviewing health insurance contracts, administrative rules and the Board's program activities for compliance with applicable State and Federal laws.

State agencies having control of special and Federal funds are required by law to reimburse the State general fund for employer health and life insurance plan employer contributions advanced by the State Director of Finance.

F. <u>Description of Major External Trends Affecting the Program</u>

Based on increasing medical and prescription drug trends and claims experience, future rates for health benefit plans are projected to increase. The EUTF Board of Trustees is currently reviewing alternatives to address the anticipated cost increase.

Public employers' contributions for active employees are a specific dollar amount to be negotiated through collective bargaining once rates are approved by the EUTF Board of Trustees.

Act 245, Session Laws of Hawaii 2005 authorized public unions to establish on a pilot basis, voluntary employees benefit association trusts (VEBA) to provide bargaining unit employees and eligible retirees with health benefits. This law will sunset on June 30, 2010.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

The administrative workload to collect varying amounts of premiums from employees who were hired after June 30, 1996 and who subsequently retire will progressively increase over the years.

H. <u>Discussion of Program Revenue</u>

Program revenues are received from:

- 1. State and County governments for their share of health and life insurance plan employer contributions.
- 2. State and county employees and retirees for their share of health insurance premiums.
- 3. Refunds and interest earned on reserve monies from health and life insurance plans' experience gains.

- 4. State and county employers for their share of the Trust Fund administrative fees.
- 5. Interest income earned on the Trust Fund.
- 6. County employers for their share of pre-funding of OPEB.

I. Summary of Analysis Performed

Not applicable.

J. Further Considerations

Not applicable.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

BUF941

PROGRAM STRUCTURE NO. 11030604

PROGRAM TITLE:

RETIREMENT BENEFITS PAYMENTS

		IN THOUSANDS						
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15
CAPITAL IMPROVEMENT COSTS PERSONAL SERVICES								
OTHER CURRENT EXPENSES	564,624,724	647,804,942	649,240,940	657,356,452	665,573	673,893	682,317	690,846
TOTAL OPERATING COST	564,624,724	647,804,942	649,240,940	657,356,452	665,573	673,893	682,317	690,846
				i		************		
BY MEANS OF FINANCING								
GENERAL FUND	253,521,223	237,758,554	263,986,686	267,286,521	270,627	274,010	277,436	280,904
INTERDEPT. TRANSFER	311,103,501	410,046,388	385,254,254	390,069,931	394,946	399,883	404,881	409,942
TOTAL POSITIONS	*	*	*	*	*	*	*	
TOTAL PROGRAM COST	564,624,724	647,804,942	649,240,940	657,356,452	665,573	673,893	682,317	690,846

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:

BUF941
11030604
RETIREMENT BENEFITS PAYMENTS

	 FY	FY						
	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
MEACHDEC OF FEFFOTWENEGO	 							

MEASURES OF EFFECTIVENESS

^{1.} NEW PROGRAM ID ESTABLISHED BY LEGISLATURE.

A. Statement of Program Objectives

To provide employer contribution payments for employee retirement benefits and payments of the federally mandated Social Security and Medicare payroll assessments in an effective and timely manner.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

The FB 09-11 Executive Budget request reflects State employer contribution requirements for pension accumulation totaling \$434 million in FY 2010 and \$439 million in FY 2011 (all means of financing). Employer contributions are based on current statutorily set percentages of payroll (19.7 percent of the member's compensation for police and firefighters and 15 percent of the member's compensation for all other employees). Projections are based on actual payroll expenditures through June 30, 2008.

The FB 09-11 Executive Budget request also reflects State employer contributions for Social Security/Medicare requirements totaling \$215 million in FY 2010 and \$217 million in FY 2011 based on actual payroll expenditures through June 30, 2008. Assessment rates are 6.2 percent for Social Security and 1.45 percent for Medicare.

Inter-departmental authorizations for both pension accumulation and Social Security/Medicare reflects transfers from the University of Hawaii (UH) and the Department of Education (DOE).

C. <u>Description of Activities Performed</u>

The major activity of this program is the determination and payment of employer contributions for pension accumulation and social security/Medicare.

D. Statement of Key Policies Pursued

Pension accumulation contributions are based on a percentage of payroll as stipulated in Chapter 88, Hawaii Revised Statutes. Social Security/Medicare contributions are federally mandated and based on assessment rates of 6.2 percent for Social Security and 1.45 percent for Medicare.

E. <u>Identification of Important Program Relationships</u>

Federal, special and general funded programs of the State and all County programs are affected by the retirement program because of the annual employer appropriation requirements. Social Security Administration policy and tax changes also have a direct effect on the State's liability.

F. <u>Description of Major External Trends Affecting the Program</u>

The employer contribution rates effective July 1, 2008 for pension accumulation, does not reflect the market turmoil that global investment assets experienced since October 2007. While the actuarial methodology recognizes some year-to-year market volatility, future program requirements may be adversely impacted if global markets do not recover within the next 2-5 years.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

See discussion above for Item F.

H. <u>Discussion of Program Revenue</u>

Employer contributions for the Pension Accumulation Fund received from the State and Counties are based on a percentage of payroll.

Employee contributions are from approximately 7,700 members in the Contributory Plan and 34,500+ members in the Hybrid Plan.

The employer's share of federal social security and Medicare contributions from the State of Hawaii are for covered employees.

I. Summary of Analysis Performed

None.

J. Further Considerations

None.

OPERATING AND CAPITAL EXPENDITURES

PROGRAM ID:

BUF943

PROGRAM STRUCTURE NO. 11030605

PROGRAM TITLE:

HEALTH PREMIUM PAYMENTS

		IN DOLL	ARS	IN THOUSANDS					
PROGRAM EXPENDITURES	FY2007-08	FY2008-09	FY2009-10	FY2010-11	FY2011-12	FY2012-13	FY2013-14	FY2014-15	
CAPITAL IMPROVEMENT COSTS PERSONAL SERVICES									
OTHER CURRENT EXPENSES	365,655,046	399,891,972	421,276,180	457,981,921	489,014	522,643	558,866	597,624	
TOTAL OPERATING COST	365,655,046	399,891,972	421,276,180	457,981,921	489,014	522,643	558,866	597,624	
				· · · · · · · · · · · · · · · · · · ·	name when again alone with what mean annu light they again				
BY MEANS OF FINANCING									
GENERAL FUND	137,330,747	161,729,133	174,721,854	190,204,383	203,137	217,155	232,257	248,424	
INTERDEPT. TRANSFER	228,324,299	238,162,839	246,554,326	267,777,538	285,877	305,488	326,609	349,200	
TOTAL POSITIONS	*	*	*	*	*	*	*	*	
TOTAL PROGRAM COST	365,655,046	399,891,972	421,276,180	457,981,921	489,014	522,643	558,866	597,624	
					========				

STATE OF HAWAII

PERFORMANCE MEASURES AND PROGRAM REVENUES

REPORT P62

PROGRAM ID:
PROGRAM STRUCTURE:
PROGRAM TITLE:
BUF943
11030605
HEALTH PREMIUM PAYMENTS

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15		
MEASURES OF EFFECTIVENESS 1. NEW PROGRAM ID ESTABLISHED BY LEGISLATURE.							-			
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) CHARGES FOR CURRENT SERVICES NON-REVENUE RECEIPTS	92,529 10,315_	100,637	103,627	110,669	118,579	127,499	127,499	127,499		
TOTAL PROGRAM REVENUES	102,844	100,637	103,627	110,669	118,579	127,499	127,499	127,499		
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) GENERAL FUNDS ALL OTHER FUNDS	11,574 91,270	2,355 98,282	103,627	110,669	118,579	127,499	127,499	127,499		
TOTAL PROGRAM REVENUES	102,844	100,637	103,627	110,669	118,579	127,499	127,499	127,499		

A. Statement of Program Objectives

To provide employer contribution payments for health premiums in an effective and timely manner.

B. <u>Description of Request and Compliance with Section 37-68(1)(A)(B)</u>

Total employer contribution requirements for health benefit premiums total \$421.27 million in FY 2010 and \$457.98 million in FY 2011 (all means of financing) which reflects the budget ceiling amounts for FY 2010 and FY 2011 respectively.

Cost requirements for active employees generally reflect the benefit premiums based on the FY 2009 Employer-Union Trust Fund (EUTF) contract rates and projected eligible employees. Any adjustments to rates in the upcoming biennium are subject to collective bargaining. Premium rates for retirees are based on trends projected by the EUTF Benefits Consultant and anticipated enrollment levels. Projected enrollments for actives and retirees are based on actual enrollment snapshot as of July 2008.

C. <u>Description of Activities Performed</u>

The major activity of this program is the determination and payment of employer contributions for health benefit premiums for eligible State employees, retirees, and their dependents.

D. Statement of Key Policies Pursued

Health benefit contributions for employees and their dependents are collectively bargained and are considered fixed cost items. Employer contributions for retirees and their dependents are subject to base monthly contribution limits established in Chapter 87A, Hawaii Revised Statutes.

E. <u>Identification of Important Program Relationships</u>

Not applicable.

F. <u>Description of Major External Trends Affecting the Program</u>

Escalating health care costs is a national issue impacted by a multitude of factors. The establishment in 2001 of the Hawaii Employer-Union Health Benefits Trust Fund (EUTF) was intended to control rising costs by giving the Board of Trustees full flexibility in the plan designs, limit future expenditures for retiree benefits, and set employer contributions for active employees at a fixed dollar amount. However, debates continue with the establishment of the Voluntary Employee Benefits Trust (VEBA) in 2006 and the recent veto override that now extends the VEBA through FY 2010. More recently, lawsuits have been filed and ruled upon that may also impact costs. Other Post Employment Benefits (OPEB) also bring to light the full cost of providing retiree benefits and with it, unfunded liabilities in excess of pension benefits.

G. <u>Discussion of Cost, Effectiveness, and Program Size Data</u>

Not applicable.

H. <u>Discussion of Program Revenue</u>

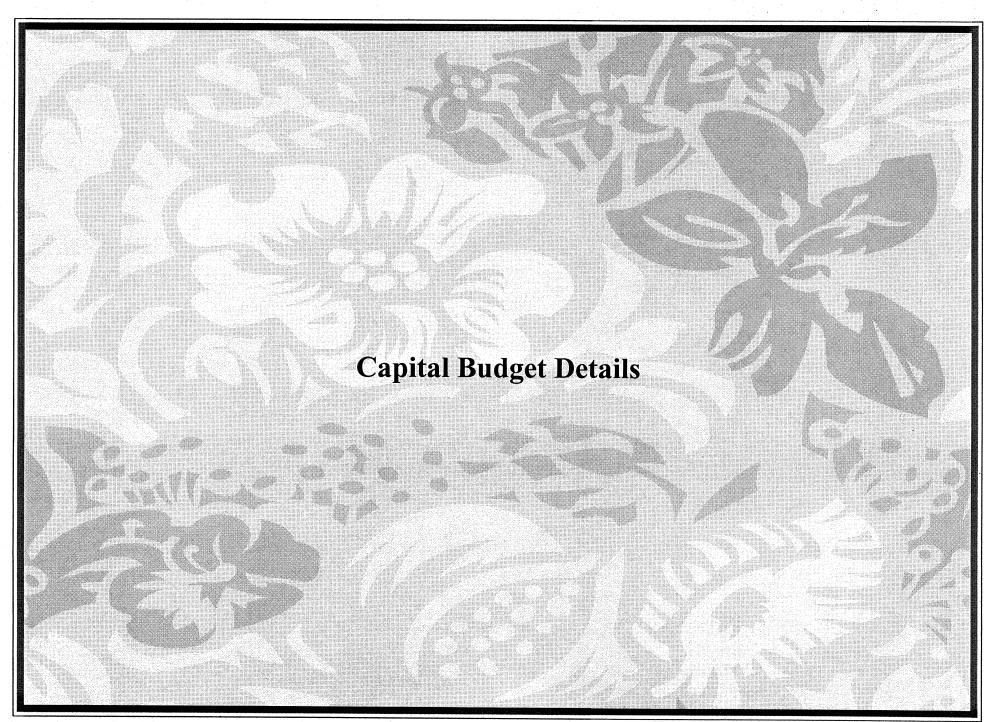
Not applicable.

I. Summary of Analysis Performed

No significant analysis of specific issues was conducted.

J. <u>Further Considerations</u>

None.



STATE OF HAWAII

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT IN THOUSANDS OF DOLLARS

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PROGRAM ID

BUF-101

PROGRAM STRUCTURE NO. 11010305 PROGRAM TITLE

DEPARTMENTAL ADMINISTRATION & BUDGET DIV

PROJECT NUMBER	PRIORITY NUMBER	LOC SCOPE	PRO	BUDGET P	EDIOD								
HOHBER	NOMBER	COST ELEMENT/MOF	PROJECT Total	PRIOR YRS	FY 07-08	FY 08-09	FY 09-10	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	SUCCEED YEARS
BM091		NEM	BISHOP MUSUEM,	, OAHU									
		PLANS DESIGN CONSTRUCTION	10 10 980			10 10 980							
		TOTAL	1,000			1,000							
		G.O. BONDS	1,000			1,000					000 Mar was com man man man was with white when when when when when when when whe	and their min dans was the said this man take a	na mai dan awa muu mad dan mga ami ada da
00-01	0001	ADDITION	HAWAIIAN HOME	LANDS TRUST	FUND, STA	TEMIDE							
		CONSTRUCTION	573,900	313,900	50,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
		TOTAL	573,900	313,900	50,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
		G.O. BONDS	573,900	313,900	50,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	
00-02	0002	NEM	STATE EDUCATIONAL FACILITIES IMPROVEMENT SPECIAL FUND, STATEWIDE										
		CONSTRUCTION	1,625,240	522,689	291,958	540,593	45,000	45,000	45,000	45,000	45,000	45,000	
		TOTAL	1,625,240	522,689	291,958	540,593	45,000	45,000	45,000	45,000	45,000	45,000	*
		G.O. BONDS	1,625,240	522,689	291,958	540,593	45,000	45,000	45,000	45,000	45,000	45,000	
			PROGRAM TOTALS	3							<u> </u>		·
		PLANS DESIGN CONSTRUCTION EQUIPMENT	510 1,181 2,210,698 1,951	500 1,171 847,167 1,951	341,958	10 10 571,573	75,000	75,000	75,000	75,000	75,000	75,000	
		TOTAL	2,214,340	850,789	341,958	571,593	75,000	75,000	75,000	75,000	75,000	75,000	
		G.O. BONDS	2,214,340	850,789	341,958	571,593	75,000	75,000	75,000	75,000	75,000	75,000	